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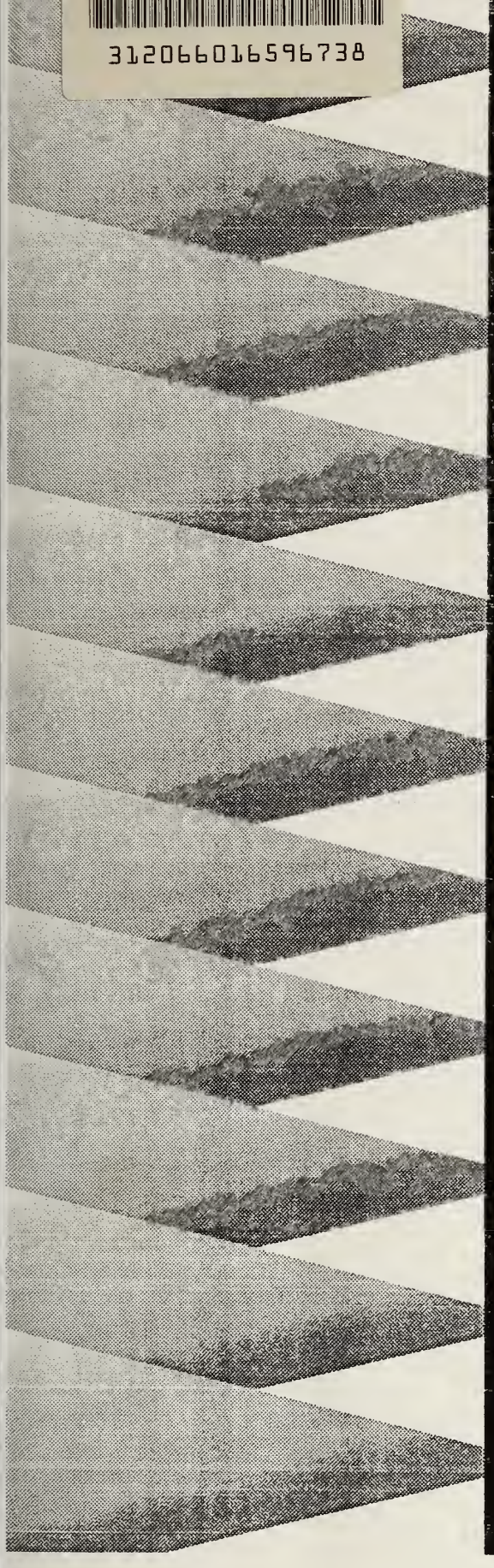

The Massachusetts One-Stop Model: Working or Not?

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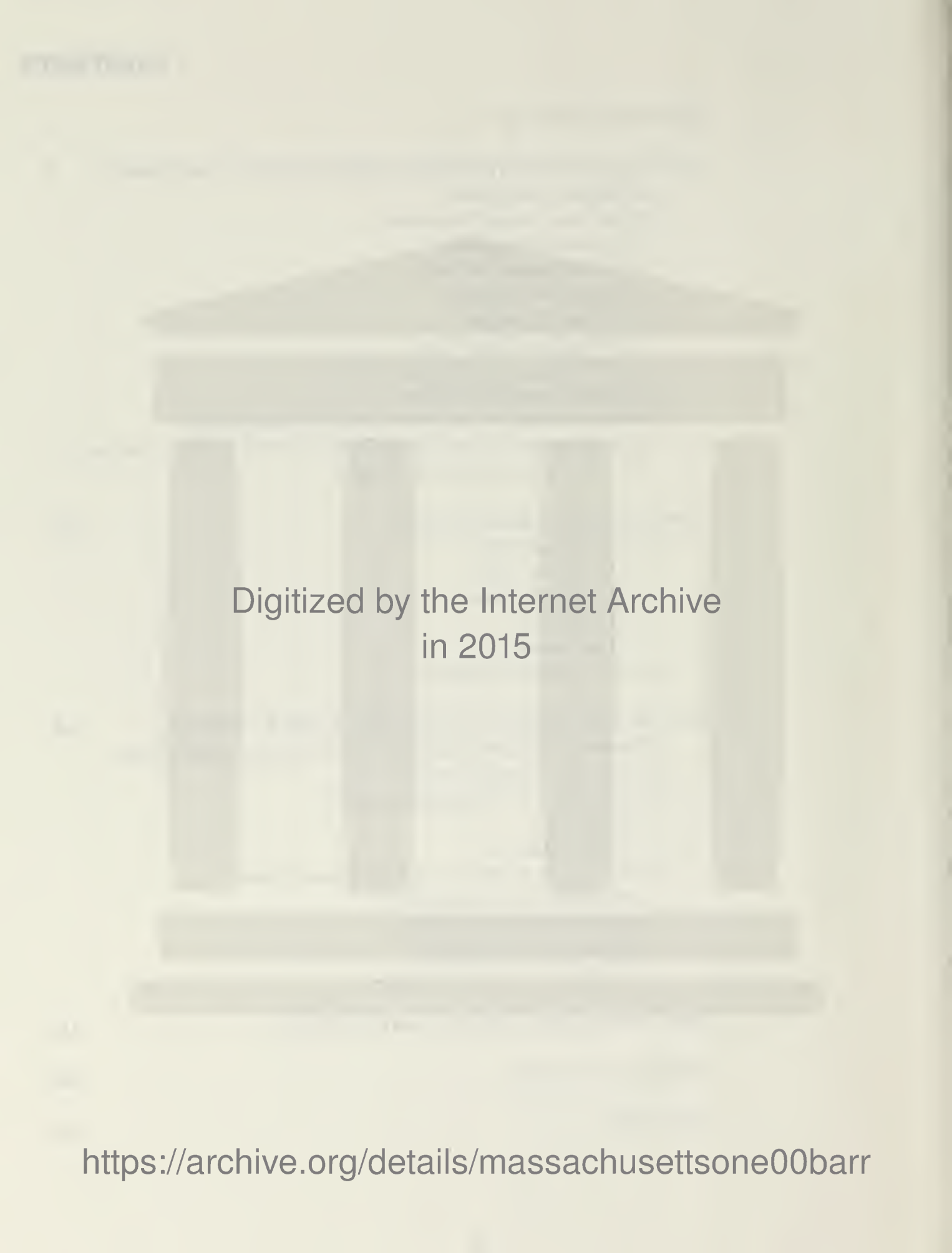
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DOES A COMPETITIVE SYSTEM OF PRIVATE ONE-STOP CAREER CENTERS WORK? EVIDENCE FROM MASSACHUSETTS

EXECUTIVE SUMMARY

Massachusetts is one of the first states to receive a U.S. Department of Labor implementation grant for the creation of One-Stop Career Centers. The One-Stop Career Centers initiative has established four overall goals on a nationwide basis: (1) universal access, (2) customer choice, (3) integration of services, and (4) accountability for customer satisfaction and participant outcomes.

Although several states are currently studying or implementing the One-Stop Career Centers initiative, Massachusetts is the only state to adopt a "competitive model" of privately- operated One-Stop Career Centers. Massachusetts' competitive model requires public agencies to compete with private vendors for career center contracts and requires the winning bidders to compete against each other for performance-based contract renewals.

The economic and public policy rationales for this strategy are that competitive private-sector vendors can: (1) maintain the same level of program effectiveness at *less cost* (i.e., more efficiency) or (2) *better achieve program goals* at the same cost (i.e., more effectiveness).

Based on an analysis of existing reports and other documents, this study concludes that proponents have exaggerated both their general claims about the success of Massachusetts' competitive model and their specific claims about the success of the state's private One-Stop Career Centers.

In fact, it should be emphasized that the competitive system of private One-Stop Career Centers is still an experimental pilot project in Massachusetts. Three-fourths of the Massachusetts labor market is still covered by the existing public Employment Security (ES) system.

Furthermore, there is no body of evidence to support claims that either competitive or privately-operated career centers are more effective than existing public agencies, because to date, no state has performed a comprehensive outcomes assessment comparing the previous system to the One-Stop Career Centers. Thus, there is no systematic empirical or qualitative basis for definitively judging the comparative performance of the Massachusetts system to that of other state systems, or for definitively judging the performance of the competitive system of private one-stop career centers with the existing public agency system.

The state-level performance reports that are now becoming available also indicate that private for-profit and private non-profit vendors are not generally any more or less effective in achieving program goals than are public job placement services.

However, other sources are beginning to document numerous performance failures in the Massachusetts model of competitive One-Stop Career Centers, including the denial of universal access, denial of customer choice, lack of integration, and underperformance. Importantly, these problems have been reported by members of both political parties in the Massachusetts House of Representatives, legal service attorneys, state and local civil administrators, business executives, and investigative journalists with the *Boston Globe*.

Moreover, the limited statistical evidence currently available supports their observations of performance failures within the Massachusetts system.

The denial of universal access to One-Stop Career Centers has taken a variety of forms in Massachusetts, including the following:

> Reliance on computers as the main form of universal access is contrary to Massachusetts' unemployment insurance law and has blocked access to the system by poorly-educated users who lack computer skills.

Private vendors have been less successful at moving welfare recipients into jobs than public sector offices.

Migrant workers have not been well served by the private career centers, which are reluctant to service these customers.

The growth of fee-based services restricts access by unemployed and low-income customers who cannot afford the services.

There is also some evidence that, in the following ways, private vendors are sacrificing the goal of customer choice to achieve reimbursement opportunities and inflated performance measurements:

Private vendors are hoarding job listings—contrary to the program goal of maximizing customer choice and contrary to the national intent of the Employment Service. Private vendors fail to make appropriate referrals to job training or suitable work.

Private vendors are reluctant to offer a full menu of employment services.

Similarly, the competitive system of privately-operated One-Stop Career Centers may re-fragment service delivery because:

The lack of additional federal funding for workforce development has created general pressures throughout the One-Stop program to reserve staff-intensive services for customers who are eligible for assistance under specific categorical programs.

Competition and privatization may actually impede program integration by re-fragmenting the service delivery system among a number of private vendors operating with a different menu of services.

Available reports do not indicate that private vendors are any more successful in securing job placements than the existing ES system.

As a result of the problems and questions identified, the following actions have already been taken to reexamine the competitive one-stop system:

The Massachusetts state legislature has refused to expand the competitive model because of skepticism about the quality of the initiative.

The Massachusetts Jobs Council is "relaxing" the competitive model by allowing local administrators to designate an entity, or collaboration of entities (including public agencies), to operate career centers without going through a competitive bid process.

The official policy of the Massachusetts Job Council now encourages public agencies, because of their proven effectiveness, to bid on competitive contracts.

Finally, there are also unresolved legal issues in adopting the competitive model for one-stop career centers. The Wagner-Peyser Act and the Social Security Act both contain numerous references to the public nature of Employment Service and Unemployment Insurance (UI) programs.

Consequently, the implementation of One-Stop Career Centers through private vendors may violate federal laws.

The National Association of Government Employees (NAGE) filed a lawsuit on April 3, 1997, to close the One-Stop Career Centers in Massachusetts. The suit charges that implementation of the One-Stop Career Centers through competitive private vendors may violate the Massachusetts "Pacheco Law" which bans public agencies from making any privatization contract unless agency officials can document cost savings or improved quality of service.

General Problems with the Competitive Model

Significantly, many of the identified problems with the Massachusetts system of private, competitively operated One-Stop Career Centers are not unique to the one-stop initiative. They are reported frequently in conjunction with other privatization efforts in Massachusetts. Thus, the problems appear to be systemic failures built into the process and dynamics of privatization.

A main thrust of public policy in Massachusetts has been to provide a wider range of choices to consumers of public goods and services. But increasing customer choice generally has not required the privatization of service delivery. Thus, it should be emphasized that privatization does not necessarily maximize customer choice—nor does maximizing customer choice require privatization.

This view was expressed by former Massachusetts Governor William Weld, who observed that the real issue "is not a question of public versus private, but competition versus monopoly." Thus, even if marginal improvements in efficiency and effectiveness were attributable to "competition," the alleged improvements do not require privatization. Importantly, therefore, even where competition introduces incentives for increased efficiency and effectiveness, there is growing evidence to suggest that internal reorganization of public service delivery can achieve greater efficiency and effectiveness without the transaction costs involved in monitoring and enforcing contracts with private vendors.

In fact, in those instances in which public agencies and public employee unions are allowed to bid on outsourced contracts, public employees are frequently able to provide superior service at lower cost.

It is also increasingly evident that the profit motive—including the fee incentives and reimbursement opportunities pursued by private non-profit agencies—undermines customer-oriented public service in a number of ways:

> The competitive model creates a tendency to increase case loads to a level that actually increases employee "burnout" and turnover and reduces morale.
>
> The competitive model forces employees to spend more time documenting their work load to secure contract renewals reducing the time available for client service and colleague consultation.
>
> The competitive model creates pressures for private vendors to make inappropriate referrals, increasing long-term costs as private firms use the delivery system to generate new reimbursement opportunities. There are increasing numbers of documented cases from throughout the country of fraudulent reporting, billing for services not performed, double billing for services, and the performance of non-required services.

Private for-profit and non-profit corporations can and do go bankrupt while administering public service contracts, particularly when under pressure to meet strict standards for cost reduction and savings. When bankruptcies occur, it results in costly service disruption. There is also a consistent tendency for systems operated under the rules of competitive privatization to shift service delivery away from areas of greatest client need into areas of greatest fee generation. This reduces the services to the clients who are most in need of them but least able to pay.

A major obstacle to successful implementation of the competitive model in Massachusetts has been the frequent lack of bidders on new contracts. Moreover, the bidding process often pits unqualified and inexperienced private firms against public employee union bids that continue to win on the basis of efficiency and effectiveness.

In addition, the nominal cost savings attributed to competition and privatization are often "false efficiencies" that accrue from cost shifting and unaccounted or hidden costs. The nominal cost savings attributed to privatization, in particular, are frequently false efficiencies generated by shifting costs from one program to another, from one level of government to another, from reduced service delivery, overstatement of actual in-house service delivery costs, or vague assertions of "payroll savings" which fail to specify the actual salaries and benefits that will be paid to comparable private sector employees.

Similarly, the nominal cost savings attributed to privatization are often false efficiencies generated by failing to account for the full costs of privatization. These costs can include consultant studies of privatization procedures, costs associated with termination of public employees (e.g., severance pay, unemployment insurance, increased pension liabilities of retained employees), the loss of eligibility for federal reimbursements, the imposition of or increases in service fees on customers, and the cost of new employee training or retraining.

Finally, despite claims that privatization and competition make it possible to "run government like a business," the experience of Massachusetts and other states suggests that the efficiency and effectiveness of service delivery is routinely subordinated to the "political" concerns of elected and appointed officials, who use vendor contracts and "outsourcing" to confer patronage on political supporters and to reward campaign contributors at the expense of customer service, program goals, and program effectiveness.

Thus, while the privatization of public services such as public transportation, mental health, general health care for the poor and elderly, real estate management, custodial services, and public housing management has increased steadily in Massachusetts since 1992, these initiatives have consistently failed to meet proponents' expectations and claims.

> Consequently, in August of 1997, the new Acting Governor of Massachusetts, Paul Celluci, announced that his Administration was "reexamining privatization initiatives" because they were failing to meet documentation and cost-benefits standards mandated by Massachusetts law, and because private vendors were putting profits before client interests.

CONCLUSIONS AND RECOMMENDATIONS

Before it is possible to justify a dramatic departure from standard models of public administration, claims of reduced costs or increased program effectiveness should be "significant" and "measurable," rather than marginal or merely asserted by proponents. For this reason, Massachusetts adopted the so-called "Pacheco Law" in 1993 as a check on the inflated claims and unsatisfactory results of privatization initiatives. Under the law, public agencies seeking to outsource service delivery must document cost savings and maintenance of service levels and submit the documentation for review by the State Auditor. Thus, Massachusetts now has a well-tested procedure for evaluating and monitoring private vendors' claims concerning cost savings and maintenance of service.

The preliminary evidence discussed in this report warrants the following conclusions and recommendations:

1. One-Stop Career Centers should be required to comply with the auditing standards for efficiency and maintenance of service established by Massachusetts' Pacheco law or similar laws in other states.

2. A multiple-year (three- to five-year) longitudinal analysis that compares the performance of private for-profit and private non-profit One-Stop Career Centers with public employment services should be conducted, using Massachusetts as a pilot project.

3. Federal decision-makers and state policy-makers should heed the Massachusetts experience and be extremely cautious in authorizing additional pilot projects in other states, much less an expansion of the competitive model to an entire state system of One-Stop Career Centers.

4. Additional pilot projects should be authorized only in states with independent monitoring and auditing systems, similar to the system established by Massachusetts' Pacheco Law, and only if these systems are explicitly subject to the provisions of such a law.

5. Application of the competitive model to an entire state system of One-Stop Career Centers would be warranted only if a comprehensive study can document that competitive private delivery systems are significantly more efficient or effective than public agency delivery systems.

Otherwise, given the absence of substantive evidence to support the claimed advantages of privatization—especially given the documented problems with privatization and the competitive model in Massachusetts—it is premature to authorize any significant expansion of the competitive model of private One-Stop Career Centers.

1.10 Purpose of the Report

Massachusetts was one of the first nine states to receive a U.S. Department of Labor implementation grant for the creation of One-Stop Career Centers. The purpose of the One-Stop Career Centers is to improve the delivery of employment services by integrating numerous employment-related categorical programs into "one-stop" centers offering a wide choice of employment services.

Massachusetts is the only state to adopt a "competitive model" for the One-Stop Career Centers that: (a) requires public agencies to compete with private vendors for career center contracts and (b) requires the winning bidders to compete against each other for performance-based contract renewals. The "Massachusetts model" of One-Stop Career Centers has received national attention among proponents of using privatization and competition to improve the delivery of public services.

This report is a preliminary review of the existing qualitative and quantitative data on One-Stop Career Centers in Massachusetts. The report's findings are based on performance reports submitted to the Massachusetts Job Council, legal briefs, legislative reports, independent newspaper investigations, and numerous other sources. The purpose of the report is to evaluate the relative performance of the competitive system of One-Stop Career Centers in Massachusetts.

1.20 The Economics of Privatization

There are many definitions and forms of privatization, but generally privatization involves the transfer of government services from the public sector to the private sector by divesting state-owned enterprises (transferring assets), raising user fees (shifting costs), and allowing private sector vendors to manage the delivery of government-financed services in lieu of government agencies. Privatization usually takes place through a competitive bidding process in which contracts are awarded to private vendors on the combined basis of lowest cost (efficiency) and maintenance of service levels (effectiveness) [Beacon Hill Institute 1992; Goodrich 1988; Schlesinger et al 1986]. Thus, the economic and public policy rationale for privatization are the claims that competitive or private-sector vendors can: (1) maintain the same level of program effectiveness at *less cost* (i.e., more efficiency) or (2) *better achieve program goals* at the same cost (i.e. more effectiveness).

Importantly, in order to justify such a dramatic departure from standard models of public administration, claims of reduced cost or increased effectiveness should be "significant" and "measurable," rather than marginal or merely asserted by proponents to justify the proposed policy changes.

While advocates of public service privatization have asserted a range of potential cost savings and service benefits, the empirical evidence for these claims is generally lacking; and in many cases, the available evidence on privatization and competition suggests that the "transaction costs" of contract compliance tend to offset any nominal cost savings.[1]

Indeed, the tendency of private firms (both for-profit and non-profit) to seek "reimbursement opportunities" and to "cream" client bases to enhance nominal productivity requires a substantial increase in contract monitoring, data collection, data analysis, and intensive outside auditing. These requirements often increase the actual bureaucracy involved in program administration, thus offsetting the apparent savings associated with privatization and outsourcing. The result is that more and more case studies from throughout the country document that the internal reorganization of public agencies tends to produce greater real efficiency than privatization [Sclar 1997]. This has certainly been the predominant experience with the competitive model in several areas of public service delivery in Massachusetts.

1.21 Service Reductions

A major problem with the competitive model has been a tendency to increase case loads, for purposes of productivity, to a level that actually results in higher levels of employee "burnout" and turnover and lower morale. A related problem is that external monitoring of efficiency and productivity has caused employees to spend more time documenting their work load to secure contract renewals. Paradoxically, this reduces the real time available for client service and colleague consultation.[2] When employees' reduced effectiveness is balanced against these false efficiencies, it is unlikely that any improvements in overall productivity have occurred [Ebben et al 1991; Orfield 1991; Wineburg et al, 1991].[3]

1.22 Inappropriate Referrals

Another problem with competitive privatization has been the tendency of private vendors to make inappropriate referrals which increase long-term costs. As early as 1990, a study of "the economics of contracting" in Massachusetts predicted that professional employees working in private vendor service delivery firms would be driven by the economics of competitive operations to generate increased "reimbursement opportunities," rather than client-oriented service [Baldwin 1990]. By 1995, an unrelated study found that professional employees in such firms actually did perceive an increased emphasis on drawing or keeping clients inside the delivery system to generate reimbursement opportunities, particularly in private for-profit companies [Motenko et al, 1995, 457].

This behavior actually leads to a long-term ratcheting up of costs over time as clients requiring no service or minimal service are over-diagnosed or over-served in order to generate increased fees and budgets. These problems have been documented in Massachusetts and elsewhere throughout the United States in connection with the privatization of services as diverse as auto repairs and vehicle maintenance, state highway maintenance, mental health, and health care for the poor and elderly [Sclar 1997].

There are increasing numbers of documented cases from throughout the country of fraudulent reporting, billing for services not performed, double billing for services, and the performance of non-required services.[4] At the same time, there is a consistent tendency for systems operated under the rules of competitive privatization to shift service delivery away from areas of greatest client need into areas of greatest fee generation. This reduces the services available to clients most in need of but least able to afford them [Jordan 1996b].

1.23 Service Disruption

For-profit and non-profit private corporations can and do go bankrupt while administering public service contracts, particularly when under pressure to meet strict standards for cost reduction and savings. In Massachusetts, for example, a private bus firm declared bankruptcy in the middle of a February snow storm and left a town's residents without bus service for two days while the MBTA sought another private vendor to take over the service [Jordan 1996b]. Similar disruptions may occur as a transaction cost of transferring operations from public agencies to private vendors.

1.24 False Efficiencies

The nominal cost savings attributed to competition and privatization are often "false efficiencies" that accrue from cost shifting and from unaccounted or hidden costs. The false efficiencies attributed to privatization, in particular, are frequently generated by shifting costs from one program to another, from one level of government to another, by reducing service delivery, by increasing costs to customers, by overstating actual in-house costs of service delivery, or by making vague assertions of "labor cost savings" which fail to specify the actual salaries and benefits that will be paid to comparable private sector employees.[5]

Similarly, proponents often fail to account for the full costs of privatization, which include consultant studies, public employee termination (e.g., severance pay, unemployment insurance, increased pension liabilities of retained employees), the loss of eligibility for federal reimbursements, the imposition of or increase in service fees on customers, and new employee training or retraining.[6]

1.25 Fictitious Competition

A major obstacle to successful implementation of the competitive model in Massachusetts has been the frequent lack of bidders on new contracts. Moreover, the bidding process often pits unqualified and inexperienced private firms against public employee unions, whose bids continue to win on the basis of efficiency and effectiveness. A growing body of case study evidence, as well as institutional economic theory, suggests that this problem may occur because public officials are attempting to extend competition from standardized "spot markets" (e.g., markets for automobiles, office supplies) to narrowly defined niche "contract markets," where buyers such as government are seeking a highly specialized, custom designed product or service [Sclar 1997, 6-7]. In such markets, there ordinarily will not be many bidders, since few sellers will be able to offer the particular product or service being contracted by the public agency. As there will actually be very little competition in such markets, no improvements in efficiency or effectiveness are likely to result from this fictitious competition.

1.26 "Politicization" of Service Delivery

Finally, despite claims that privatization and competition make it possible to "run government like a business," the experience of Massachusetts and other states suggests that the efficiency and effectiveness of service delivery is routinely subordinated to the "political" concerns of elected and appointed officials. Vendor contracts and "outsourcing" are sometimes used to confer patronage on political supporters and to reward campaign contributors at the expense of customer service, program goals, and program effectiveness.[7]

1.30 Massachusetts' Pacheco Law

Competition and privatization of public services can end up costing more than public sector service delivery if efficiency claims are not carefully monitored and audited by an independent entity.[8] Consequently, Massachusetts adopted the so-called "Pacheco Law" in 1993 as a check on the inflated claims and unsatisfactory results of privatization initiatives pursued in the early 1990s. The Pacheco Law requires state officials to document the efficiency and effectiveness of competitive proposals to deliver public services through private vendors. Any government official proposing to privatize a public service must develop a work statement, determine the in-house cost of services, seek competitive public bids, and compare the cost of outside bids to the cost of in-house provision. Moreover, the Pacheco Law allows existing public employee unions to submit bids.

The contracting agency must then document the cost savings and maintenance of service levels and submit these documents to the State Auditor for review. The Auditor may accept a bid, return it for revisions, or reject it if it fails to adequately meet the provisions of the law, i.e., if the Auditor determines that the proposal fails to save money or ensure at least equal service (M.G.L. Chapter 7, Sections 52-55; M.G.L. Chapter 268A, Section 5; M.G.L. Chapter 110, Section 274).

Thus, Massachusetts has a well-tested procedure for evaluating and monitoring claims by private vendors concerning cost savings and maintenance of service. But Massachusetts' One-Stop Career Centers have never been evaluated against the efficiency and maintenance of service standards established by the Pacheco Law.

1.40 RECONSIDERING THE COMPETITIVE MODEL IN MASSACHUSETTS

1.41 Privatization is Not Choice, and Choice Does Not Require Privatization

A main thrust of public policy in Massachusetts has been to provide a wider range of choices to consumers of public goods and services, but increasing customer choice has not generally required the privatization of service delivery. Hence, even if marginal improvements in efficiency and effectiveness were attributable to "competition," the alleged improvements do not require privatization.

On the one hand, privatization does not necessarily provide choice. It may merely replace a system of public monopoly with local private monopolies (e.g., local telephone service). On the other hand, competition among service delivery agents does not

necessarily require privatization, since competition can be introduced among public agencies (e.g., public school choice) or through a mix of public/private vendors (e.g., higher education and the U.S. Postal Service). This view was expressed in Massachusetts by former Governor William Weld, who emphasized that the real issue "is not a question of public versus private, but competition versus monopoly" [quoted in *Boston Globe*, January 3, 1997; Palmer, Jr. 1997a]. Moreover, this idea is a key tenet of the competitive model for "reinventing government" that has explicitly oriented the Massachusetts initiative [Osborne 1992].

Importantly, therefore, even where competition introduces incentives for increased efficiency and effectiveness, there is growing evidence to suggest that internal reorganization of public service delivery can achieve greater efficiency and effectiveness without the transaction costs involved in monitoring and enforcing contracts with private vendors.

In those instances where public agencies and public employee unions are allowed to bid on outsourced contracts, civil administrators and public employees are frequently able to provide superior service at lower cost.[9]

1.42 The False Promise of Privatization

Although the number of privatization initiatives in Massachusetts has increased steadily since 1992 in areas such as public transportation, mental health, general health care for the poor and elderly, real estate management, custodial services, and public housing management, they have consistently failed to meet the expectations and claims of their proponents.

Consequently, in August of 1997, the new Acting Governor of Massachusetts, Paul Celluci, announced that his administration was "reexamining privatization initiatives" because they were failing to meet documentation and cost-benefits standards mandated by Massachusetts law, and because private vendors were putting profits before client interests [Aucoin 1997; Jordan 1997].

It should be emphasized, therefore, that proponents are exaggerating both their general claims about the success of the Massachusetts competitive model and their specific claims about the success of its competitive One-Stop Career Centers.

The competitive model of One-Stop Career Centers is still an experimental pilot project in Massachusetts [MJC 1997]. Three-fourths (3/4) of the Massachusetts labor market is still covered by the existing public Employment Security system. Any comparison, therefore, of the performance of competitive One-Stop Career Centers with the performance of the public employment system is premature, both nationally and in Massachusetts.

In fact, because of suspected performance failures, the Massachusetts legislature has halted any further expansion of the experimental system of One-Stop Career Centers until completion and review of an extensive cost-benefits analysis.[10]

Similarly, following a less than satisfactory experience with the competitive model—the only available model—of One-Stop Career Centers, the Massachusetts Job Council (MJC), which oversees the centers, has "relaxed" the competitive model by permitting local program administrators to use the collaborative or co-located model (non-bid designation) of implementation.

The MJC's authorization of the collaborative and co-location models will maintain competition among service delivery units, since each employment region will have at least two one-stop career centers (see Section 2.20 below). Moreover, the one-stop career centers will still be evaluated on the basis of statewide comparative performance standards, thus achieving competition and accountability without privatization.

2.10 The Standard Model

The United States Department of Labor (DOL) launched the One-Stop Career Centers initiative in 1994 to unify the patchwork of categorical workforce development programs into a single, coordinated system. By the end of Fiscal Year 1995, the DOL had awarded three-year implementation grants to 16 states, 18-month grants for the development of local One-Stop Learning Laboratories to 10 local areas, and 12-month planning and development grants to 27 states to support the creation of interagency partnerships and plans for One-Stop Career Center systems. In January 1997, DOL announced that another 17 states would receive One-Stop implementation grants by July 1997, bringing the total number of implementation states to 33. When fully operational, One-Stop Career Centers in these 33 states will have the capacity to serve up to 80 percent of the nation's civilian labor force [SPRA, A-1 to A-2].

One-Stop Career Centers are being implemented through diverse and flexible program structures that vary somewhat from state to state. However, the implementation strategy that is used most frequently involves the designation of a state human resources investment board (SHRIB) to guide the program, set policy, establish evaluative criteria, and monitor compliance. One-Stop Career Centers are chartered by local agencies, most frequently private industry councils (PICs), to deliver coordinated one-stop career services.

The One-Stop Career Centers initiative has established four overall goals: (1) universal access, (2) customer choice, (3) integration of services, and (4) accountability for customer satisfaction and participant outcomes (SPRA 1997). In August 1997, DOL received the first departmentally-funded program evaluation of One-Stop systems from Social Policy Research Associates (SPRA). The SPRA evaluation is the first comprehensive assessment of the early stages of One-Stop implementation, based on qualitative and quantitative data gathered from 9 state and 14 local One-Stop systems [SPRA 1997, A-2 to A-3]. The SPRA evaluation finds that states and local areas are achieving One-Stop implementation goals, but they are still in the early stages of program implementation.

2.11 Universal Access

One-Stop Career Centers are providing universal access primarily through technological innovations that rely on the Internet and World Wide Web—that is, various types of computerized access to labor market information and job listings. However, there are serious problems in relying on electronic media as the main point of universal access (see Section 3.41a below).

2.12 Customer Choice

One-Stop Career Centers typically provide customer choice in three ways. First, customers may receive services from two or more different One-Stop Career Centers within the same service delivery area.

Second, One-Stop Career Centers offer a three-tier pyramid of services [SPRA 1997, 1-27 to 1-28]. Tier 1 services consist of "self-service" or "self-access" services, such as Internet-based job listings, that customers can use with a minimum of staff assistance. Tier 2 services consist of "guided services"—such as assessment, counseling, or brokering of additional services—that require individualized attention from a One-Stop staff member. Tier 3 services consist of more intensive education and training services, as well as ongoing counseling or case management. Universal access is provided mainly to Tier 1 services, although several states require local One-Stop Career Centers to make some Tier 2 and 3 services available to all One-Stop customers [SPRA 1997, 1-29].

Finally, a third type of customer choice is offered by making referrals and brokering additional services with other programs or agencies.

2.13 Integration

Most states and local areas have promoted the integration of employment services by emphasizing the coordination of diverse categorical funding streams to support the local centers and by creating physical sites that bring together different employment services at a single location. However, fully integrated funding and "fully integrated intake was not usually achieved during the early stages of One-Stop implementation" [SPRA, ES-5].

2.14 Accountability

Most states and local areas made significant progress in developing One-Stop performance measures during the initial stages of One-Stop implementation [SPR, ES-5 to ES-6]. Systematic program evaluations based on these measures are still forthcoming, however, and many states are awaiting further guidance from the Department of Labor.

Table 1. One-Stop Career Centers in Massachusetts, December 1997

REB	NAME	CITY	TYPE	CHARTER	VENDORS
Hampden	CareerPoint	Holyoke	Public/Private	RFP	Mass Div. of Employment & Training/ Holyoke Chamber of Commerce/Holyoke Community College
	Future Works	Springfield	Private/for-profit	RFP	Employment & Training Inst.
Boston	Career Link	Boston	Private/non-profit	RFP	Dimmock Community Health Center/ Morgan Memorial Goodwill Industries/ Women's' Industrial Educ. Union
	WorkPlace	Boston	Private/non-profit	RFP	Jewish Vocational Service/City of Boston/ Economic Develop-ment & Industrial Council
	Job Net	Boston	Public/Private	RFP	Mass. Div. of Employment & Training/ Drake, Beam & Morin
Metro North	Career Source	Cambridge	Private/for-profit	RFP	Employment Resources, Inc./ Sullivan & Cogliano
	Career Place	Woburn	Private/Public	RFP	Middlesex Community College

2.20 The Massachusetts Model

In October 1994, the U.S. Department of Labor awarded $11.6 million to implement a statewide system of One-Stop Career Centers in Massachusetts. While Massachusetts was one of the first nine states to receive an implementation grant, it is the first and only state to adopt the competitive model of "reinventing government" for the One-Stop Centers (Osborne 1992).

While it is the competitive aspects of the Massachusetts model that have received nationwide attention, it should be noted that competition, as such, is not the main goal of the One-Stop Career Centers. Instead, the central goal of the Massachusetts One-Stop Career Centers is to emphasize a customer-driven perspective (universal access/choice/accountability) that is understandable to customers (integration).

The Massachusetts competitive model of One-Stop Career Centers still maintains a state-level steering mechanism in the Massachusetts Jobs Council (MJC), which was designated as the official state human investment resources board in 1993. The MJC is responsible for establishing general policies and performance/output measures for local career centers. Operating within the MJC guidelines, the state's career centers are administered locally by Regional Employment Boards (REBs) (private industry councils) consisting of business, labor, education, government, and community leaders. While this is the typical administrative model adopted by most states [SPRA 1997, 1-16], Massachusetts is the only state that initially required public agencies to compete with private vendors (1994-1997) for career center contracts and also required winning bidders to compete against each other for performance-based contract renewals.

The original vision of the Massachusetts model was to establish at least two competing career centers operated by different vendors in each of the state's 16 service delivery areas (SDAs). However, the exact number of charters issued in each SDA is determined by individual REBs, so long as the REB meets the two-center minimum. Career center contracts for up to three years are awarded to vendors through a competitive request for proposals (RFP). At the end of each three-year period, career centers are required to undergo a rigorous rechartering process based on performance criteria outlined by the REB. Funding for the One-Stop Career Centers is provided through Interagency Service Agreements with the Massachusetts Jobs Council.

There are currently seven competing One-Stop Career Centers in Massachusetts (see Table 1). Each center operator won the contract through a competitive bidding process run by the local REB. By the end of 1997, three REBs—Hampden County, Boston, and Metro North—had chartered One-Stop Career Centers.

Customer surveys insure continuous monitoring of customer satisfaction at each career center. At this time, all One-Stop Career Centers use a "Tell Us What You Think" questionnaire designed by the state-level One-Stop Career Center Office. Survey results indicate that 95 percent of customers currently rate the One-Stop Career Center experience as having met or exceeded their expectations, while employer repeat business ranges from a low of 50 percent to a high of 99 percent of employers served (MJC 1997e).

3.10 Barriers to Effective Implementation of One-Stop Career Centers

Social Policy Research Associates' study of nine state programs and 14 local career service centers is the most extensive study of the One-Stop initiative to this point. The main purpose of the SPRA evaluation was "to identify key factors that have facilitated or impeded state and local One-Stop systems in their ability to meet the federal One-Stop themes of universal access, customer choice, service integration, and accountability for customer outcomes" [SPRA, ES-1].

The SPRA study's overall conclusion is that "both employer and job-seeker customers are enthusiastic in describing One-Stop Career Centers as improvements over the previously uncoordinated system" [SPRA, ES-1]. There is no evidence in the study that Massachusetts' competitive model performs better than the public agency One-Stop Centers in other states.

However, the SPRA [1997, ES-3] study concludes that the implementation of integrated One-Stop Career Systems is "occurring in the face of significant barriers in a number of sites." The most significant barrier identified in the SPRA study is the failure of the 104th Congress to approve workforce development block grants, leaving One-Stop program administrators with the problem of integrating separate federal categorical funding streams, each with its own mandated targeted population, into a single One-Stop system.

A second major barrier identified in the SPRA [1997, ES-3] study is "declining overall public investments in workforce development programs and services."[11] Hence, a number of program administrators and staff around the country "indicated their concern that they were being asked to 'do more with less'" [SPRA, ES-3].

These funding barriers exist regardless of whether local sites implement a One-Stop system through public agencies or competitive private vendors; and advocates of privatization and the competitive model may argue that private vendors have a greater capacity to overcome this barrier through enhanced productivity and efficiency.

But SPRA's study does not find or suggest that either privatization or the competitive model offers a potential way to overcome the barriers to successful program implementation [SPRA, ES-6 to ES-7]. While the study includes an evaluation of the Massachusetts One-Stop delivery system, it does not find that either the Massachusetts system or individual private vendors enhance efficiency or productivity.

More importantly, the state-level performance reports that are now becoming available do not indicate that private for-profit or private non-profit vendors are any more or less effective in achieving program goals than public agency providers of job placement services [MJC 1997c].

Thus, advocates of privatization and the competitive model should not secure authorization for such proposals on the basis of vague general arguments and unsubstantiated assertions. They should be required to document how privatization and the competitive model will (or has) actually helped solve/mitigate the identified challenges to One-Stop implementation.

Furthermore, proponents of the competitive model should be required to document that privatization and competition will offer significant improvements that cannot be achieved by any of the alternative public sector models detailed in the SPRA study.

3.20 Performance Measurements

A key objective of the One-Stop Career Centers initiative is to develop performance measurement criteria as a basis for conducting systematic and comparative outcomes assessments of the new centers. State human investment resource boards are still in the

early stages of developing these performance criteria and of collecting data on performance measurements. At this time, no state has performed a comprehensive outcomes assessment comparing the previous system to the One-Stop Career Centers. Thus, there is absolutely no systematic empirical or qualitative basis for definitively comparing the performance of the Massachusetts system to that of other state systems, or for definitively comparing the performance of the competitive One-Stop system with that of the existing public agency system.

3.30 LEGAL ISSUES IN THE COMPETITIVE MODEL

3.31 Federal

Both the Wagner-Peyser Act and the Social Security Act contain numerous references to the public nature of providing Employment Services (ES) and Unemployment Insurance (UI). The purpose of Wagner-Peyser is "to promote the establishment and maintenance of a national system of public employment offices" [29 U.S.C., par. 49]. To receive Wagner-Peyser funds, states are required to "designate or authorize the creation of a State agency" [29 U.S.C., par. 49c]. Similarly, the Social Security Act requires states to pay "unemployment compensation solely through public employment offices or such other agencies as the Secretary of Labor may approve" [42 U.S.C., par. 503(a)(2)]. Finally, because of these statutory provisions concerning the public nature of ES and UI provision, the Office of Management and Budget has designated "Employment Security (Unemployment Insurance and Employment Services)" as programs with "a statutory requirement for the establishment and maintenance of personnel standards on a merit basis" [5 CFR Subpart F, Appendix A].

Consequently, the implementation of One-Stop Career Centers through private vendors may violate federal laws. Therefore, a further expansion of these centers should not be allowed until this legal issue is resolved at the federal level.

3.32 Massachusetts

The National Association of Government Employees (NAGE) filed a lawsuit on April 3, 1997, to shut down the One-Stop Career Centers in Massachusetts. The suit charges that implementation of the One-Stop Career Centers through competitive private vendors violates the Massachusetts' "Pacheco Law" banning public agencies from making any privatization contract unless agency officials can document cost savings or improved quality of service [Benavides 1997]. If this suit is successful, it will force either closure of the centers, modification of program implementation, or a more systematic documentation of the centers' efficiency and maintenance of service.

3.40 Performance Failures in the Massachusetts Model

Although a systematic, comprehensive, and comparative performance evaluation of the One-Stop Career Centers has not been conducted in Massachusetts, various stakeholders in the system have identified several problems. These problems have been reported by members of both political parties in the Massachusetts House of Representatives, as well as by legal service attorneys, union officials, state and local civil administrators, business executives, and investigative journalists with the *Boston Globe*. Moreover, the limited statistical evidence currently available supports their observation of performance failures within the Massachusetts system.

In addition, many of the problems with Massachusetts' system of private, competitively operated One-Stop Career Centers—denial of universal access; denial of customer choice; pressures toward a continuation of the fragmented categorical program structure, rather than program integration; and performance shortcomings—are not unique to the One-Stop initiative, but are reported frequently in conjunction with other privatization efforts in Massachusetts. Thus, the problems appear to be systemic failures built into the process and dynamics of privatization.

3.41 Denial of Universal Access

The denial of universal access to the One-Stop Career Centers has taken a variety of forms in Massachusetts:

a. Poorly educated users are denied effective access to the system. A major problem with the One-Stop Career Centers, particularly the private ones, is the

emphasis on automated "self-access" services that rely on the Internet and World Wide Web for making job listings available to clients. Self-access job listings are becoming the main Tier 1 vehicle for providing "universal" access to the One-Stop system. Self-access through a computerized system, however, assumes the ability to use computers, search engines, and other database programs; and many of the individuals who most need employment services are precluded from accessing this system because they (a) have a basic education, but lack computer skills, (b) are poorly educated and in many cases cannot read, and/or (c) do not read or speak English.

Thus, computer self-access and the Internet may enhance efficient access to the system, but at the cost of reduced effectiveness by failing to help those most in need of One-Stop services and referrals.

b. Private vendors have been less successful than public sector offices at moving welfare recipients into jobs [Grunwald 1996b]. In Fiscal Year 1997, the One-Stop Career Centers in Massachusetts not only made placements far below their own projections, but the state-run network of employment services they are supposed to replace actually exceeded its welfare-to-work goals. The state-run system placed 10 times more welfare recipients into jobs than the One-Stop Career Centers in the first four months of Fiscal Year 1997 and, yet, average wages for placements tended to be the same in both systems ($7.50 per hour). Significantly, among the seven competitive One-Stop Career Centers, there is evidence to suggest that those with public agency partners (e.g., the Massachusetts Division of Employment & Training) have higher rates of job placement for welfare recipients than those that do not [MJC 1997a, 1997b].

Consequently, public officials have voiced suspicions that private vendors are "creaming" the unemployed pool—concentrating on the easiest-to-place individuals. This means private vendors put less effort into more time consuming Tier 2 and Tier 3 services that result in lower performance and efficiency ratings (e.g., counting the number of persons served by each center).[12]

c. Migrant workers have not been well served by private career centers. Federal law singles out migrant workers for special consideration and treatment in the delivery of employment services. Migrant workers routinely move from job to job and need quick notice of openings around the state. But the private career centers have not transmitted job information quickly enough to be useful to these workers.

d. The growth of fee-based services restricts access by unemployed and low-income customers. Massachusetts and Minnesota are the only states, among the first nine implementation states, to encourage One-Stop Centers to develop fee-based services, including customized applicant testing and screening services, the customized analysis of labor market information, and assessment of the skills of incumbent workers [SPRA 1997, 1-30 to 1-32]. Thus, the incentive to collect fees, especially when coupled to federal funding difficulties, is driving the private career centers, in particular, to cater to middle-class job seekers and high-end employers at the expense of those who cannot afford fee-based services—unskilled and less educated workers, low-income workers, and the unemployed.

e. Reliance on computer access is contrary to Massachusetts unemployment insurance law. The Massachusetts unemployment insurance law requires that claims be taken in a face-to-face interview. Consequently, electronic access to One-Stop Career Centers will not comply with state law.

f. There is no evidence that competitive vendors provide better job placements for non-welfare recipients than public agencies. The average wage for public agency ES placements for UI claimants was $9.83 per hour (i.e., 31 percent higher than for the placement of welfare recipients), but existing data do not allow a comparison of the public agency system with private vendors.

3.42 Denial of Customer Choice

There is also some evidence that private vendors are sacrificing the goal of customer choice to achieve reimbursement opportunities and inflated performance measurements.

a. Private vendors are hoarding job listings. Job openings called into one center by an employer are

often not shared with other vendors or state offices. Consequently, these listings do not appear in the systemwide job database. Job hoarding not only undermines the program goal of maximizing customer choice, it also creates the absurdity that job openings within a single metropolitan or labor market area may not be listed in the "competing" centers.

Individual centers, particularly private for-profit centers, have an incentive to hoard job listings in the competitive model, rather than share these listings with other private vendors or public agencies. The Massachusetts experience suggests that a competitive system of job listings will tend to "balkanize," rather than integrate, the employment market. Private vendors would rather hold onto job listings than lose the opportunity to fill a job themselves, since—in order to win additional contracts or contract renewals—each private career center has an incentive to prove that it can deliver better services to its clients. While job hoarding may be in the interest of private career center operators, it is contrary to the national intent that established the Employment Service.

b. Private vendors fail to make appropriate referrals. In Massachusetts, UI recipients are eligible to receive additional benefits if they enroll in a training or education program. To be eligible for such benefits, however, an individual must apply for a training program within the first 15 weeks of receiving UI benefits. Individuals have been denied additional benefits because the private vendors failed to notify them that there was a deadline for applying for training.

Again, in order to document performance, competitive career centers have an incentive to move clients into jobs, even lower paying jobs, as quickly as possible, rather than refer them to Tier 3 services provided by other agencies or vendors.

Similarly, private firms have an incentive to push customers into any placement they can find in order to document performance, while the UI program requires that customers be referred to "suitable" work.

c. Private vendors are reluctant to offer a full menu of "other ES-related" services. In Massachusetts, the private vendors have explicitly indicated their reluctance to provide "other" ES-related services such as the Alien Labor and Work Opportunity Tax Credit programs. For example, the for-profit facility in Springfield (Future Works) has explicitly indicated that it does not want to administer the Migrant Seasonal Farmworkers program. This is another instance in which a competitive model provides incentives not to make certain referrals in order to move individuals through the system more quickly and count them as "successes."

3.43 Obstacles to Integration

a. The lack of additional federal funding for workforce development has created general pressures throughout the One-Stop program to reserve staff-intensive services (i.e., Tier 2 and Tier 3) for customers who are eligible for assistance under specific categorical programs. This situation may increase the administrative pressures to continue the fragmented categorical program structure [SPRA, ES-4]. Thus, the competitive model of service delivery may encourage fragmentation, as staff-intensive services are shifted back into categorical programs.

b. Competition and privatization may actually impede program integration by refragmenting the service delivery system among a number of private vendors operating with different menus of services. In Massachusetts, the One-Stop Career Centers are allowed considerable flexibility, but if generalized to a wholly private competitive system, this flexibility would not offer "choice" to employer clients, but confusion in dealing with uneven services, different delivery systems, and a range of fee structures within states and between states [SPRA, p. I-31].

3.44 Questions about Performance

An important goal of the One-Stop Career Centers initiative is to create an employment service that is accountable to taxpayers and customers. Thus, important policy changes should be adopted only after reliable performance measurements are available to decision-makers. For precisely this reason, the Massachusetts state legislature halted additional expansion of the pilot project pending the results of an extensive cost-benefit analysis of the traditional public labor exchange administered by the state

versus the competitive privatized centers. The legislature "put the brakes on" the new career centers because various stakeholders, including the Regional Employment Board Association made up of management, labor, and public representatives, raised major concerns about the quality and cost of the experiment [Grunwald 1996a, 1997a, 1997b].

a. The available reports do not indicate that private vendors are any more successful in securing job placements than the existing ES system.

b. The Massachusetts state legislature has refused to expand the competitiveness model because of skepticism about the initiative's quality. The Massachusetts House of Representatives received numerous complaints about the One-Stop Career Centers and, after a legislative inquiry, found significant bipartisan support for delaying/rejecting the opening of additional One-Stop Centers in Fiscal Years 1997 and 1998. Indeed, the legislature has sought to discontinue the experiment altogether in each of the last two fiscal years, but it finally agreed to continue funding the seven existing Career Centers, with the condition that uniform policies and procedures for measuring their performance be developed.

c. The Massachusetts Jobs Council is "relaxing" the competitive model. In February of 1997, business members of the Boston Private Industry Council proposed relaxing the competitive model in service delivery areas that oppose it or that remain skeptical about its success [Grunwald 1997a]. In May of 1997, a compromise was reached that now allows the local REB to designate an entity, or a collaboration of entities (including public agencies), to operate career centers without going through a competitive bid process.[13]

d. The official policy of the Massachusetts Job Council now encourages public agencies to bid on contracts on which competitive bidding continues to be used. Because public agencies have often demonstrated a superior ability to meet the goals of the One-Stop initiative, they are actively encouraged to bid on contracts to insure that the highest performers actually receive contracts.

4.00 CONCLUSIONS AND RECOMMENDATIONS

The preliminary evidence discussed in this report, the Massachusetts Job Council's relaxation of the competitive model, and the Massachusetts state legislature's restrictions on further expansion of the competitive One-Stop Career Centers model all suggest that a dramatic departure from standard models of public administration should be allowed only if claims about reduced cost or increased program effectiveness are "significant" and "measurable," rather than marginal or merely asserted by proponents of the competitive model.

For this reason, Massachusetts adopted the so-called "Pacheco Law" in 1993 as a check on the inflated claims about and unsatisfactory results of privatization initiatives. The law requires public agencies seeking to outsource service delivery to document cost savings and maintenance of service levels and submit these documents to the State Auditor for review. Thus, Massachusetts now has a well-tested procedure for evaluating and monitoring claims by private vendors concerning cost savings and maintenance of service.

The preliminary evidence discussed in this report warrants the following conclusions and recommendations:

1. One-Stop Career Centers should be required generally to comply with the auditing standards for efficiency and maintenance of service established by Massachusetts' Pacheco law or similar laws in other states.

2. A multiple (three- to five-year) year longitudinal analysis comparing the performance of private for-profit and private non-profit one-stop career centers with public employment services should be conducted using Massachusetts as a pilot project.

3. Federal decision-makers and other state policy-makers should heed the Massachusetts experience and be extremely cautious in authorizing additional pilot projects in other states, much less an expansion of the competitive model to an entire state system of One-Stop Career Centers, since the existing evidence does not warrant such expansion.

4. Additional pilot projects should be authorized only in states with independent systems for monitoring and auditing privatization claims similar to the Massachusetts Pacheco Law and only if such systems are explicitly subject to the provisions of such a law.

5. Application of the competitive model to an entire state system of One-Stop Career Centers is warranted only if a comprehensive study can document that competitive private delivery systems are significantly more efficient or more effective than public agency delivery systems.

Otherwise, given the absence of substantive evidence to support the claimed advantages of privatization, when compared to the documented problems with privatization and the competitive model in Massachusetts, it is premature to authorize any significant expansion of the competitive model of private One-Stop Career Centers.

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ENDNOTES

1 See, Sclar [1997, 6]. Transaction costs include the costs of administering the contracting process, monitoring the work of contractors, and evaluating/validating the information collection from contractors.

2 One agency, for example, asked its employees to record their work performed every fifteen minutes of the day [Baldwin 1990; Ebben et al 1991; Motenko et al., 1995].

3 For example, in Massachusetts, one study documents that "the loss of staff and services in some agencies was so drastic" it was no longer possible to meet agency and program goals [Motenko et al, 1995, 460].

4 Following the privatization of mental health delivery in Massachusetts, for instance, the Department of Mental Health was downsized from 7,765 employees (January 1, 1991) to 4,708 (May 1, 1997). While much was made of the staff reductions, most of these employees' workload was merely outsourced to private vendors. Yet, in 1997, a *Boston Globe* "Spotlight Investigation" documented that as many as 1,800 patients per year were being incorrectly committed to private psychiatric hospitals under the privatization plan. This, while outsourcing nominally "reduced" *state* expenditures on health care, it merely shifted payments to the federally reimbursed Medicare and Medicaid programs at an additional cost of $ 18 million per year [Kong and O'Neill 1997; Zuckoff 1997]. Notably, Massachusetts' involuntary psychiatric commitment law "is in the mainstream when compared with similar laws throughout the United States." The main difference between Massachusetts and other states is that the law's use has increased each year since the privatization initiative was launched in 1992, partly because "the law has been abused and misused by workers at insurance-hungry hospitals eager to tap into a boom in Medicare and Medicaid payments [Zuckoff 1997]. Similarly, the Massachusetts State Auditor recently found that a Florida-based medical firm with a $36 million a year contract to provide medical care to Massachusetts prisoners overcharged the state $1.5 million in 1994 for unsubstantiated AIDS-related treatments by filing "false and questionable invoices" [Phillips 1996].

5 A private bus company operating under a contract with the MBTA doubled senior citizen fares and raised regular fare rates by 50 percent on MBTA routes, while continuing to receive a tax-payer financed subsidy [Jordan 1996b]. Thus, while MBTA could claim to be spending "less" on the bus routes, the actual costs of operating the routes was not reduced, but merely shifted onto riders in the form of fare increases.

6 In a typical example, the Massachusetts Bay Transportation Authority (MBTA) secured authorization from the State Auditor to privatize its real estate management department. Although the MBTA claimed it would save $7.5 million over five years, the State Auditor found that the actual savings was only $200,000 over five years, because the agency had overstated the cost of doing the work in-house and understated the price of hiring a private vendor [Globe State House Bureau 1996]. Interestingly, the MBTA has spent more than $1 million over three years (1993-96) studying privatization [Globe State House Bureau 1996]. Likewise, the Massachusetts Department of Transportation claims to have saved millions of dollars by privatizing highway maintenance services, although an investigation by the state legislature's House Post Audit and Oversight Committee found that such claims were unsubstantiated and "questioned whether costs actually have been cut" [Palmer, Jr. 1996].

7 In Massachusetts, for example, a $22 million per year mental health contract was awarded to Public Consulting Group, despite a competing bid from another firm to deliver the same service for only $15 million. However, as documented by the *Boston Globe* [May 11, 12, 1997,] Public Consulting Group operates as a "virtual shadow government" headed by an individual who formerly worked in the same private accounting firm with the governor's Secretary of Administration and Finance. A *Boston Globe* "Spotlight Investigation" concludes that Public Consulting Group was "overpaid for underachieving." In another 1996 example, a $350,000 contract to demolish tollbooths on the Massachusetts Turnpike was awarded in apparent violation of state bidding laws to a company whose principals consistently donated to the campaigns of then Governor William Weld and Lt. Governor Paul Celluci [Jordan 1996a].

8 For example, since 1993, when Massachusetts began privatizing its state mental health system, the state's free-care pool for uninsured persons has spent $14 million to care for psychiatric patients that the state formerly treated in state-owned mental hospitals at less cost. In Fiscal Year 1998, private hospitals estimate that they will spend an additional $22 million in caring for such patients, but will only recover a fraction of the total cost from the free-care pool which is already too underfunded to fully cover the thousands of uninsured Massachusetts residents who need medical and surgical care [Kong 1997]. Similarly, in January of 1996, the Massachusetts Bay Transportation Authority (MBTA) solicited management consultants for ideas converting the Greater Boston public transportation system into a "collection of private firms" [Nealon 1996]. The most dramatic proposal was to privatize the operations of 40 percent of the MBTA's bus routes [Blake 1996]. However, after accepting competitive bids, the State Auditor rejected the proposal under provisions of the Pacheco Law, because no evidence could be shown documenting claims that privatization would save the $30 million claimed by the authority, improve the quality of service, or meet the requirements of numerous other state laws [Palmer, Jr. 1997b].

9 For example, highway maintenance work in Massachusetts was done entirely by full-time state workers until 1993 when much of the work began to be outsourced through competitive bidding. Significantly, much of the "outsourced" work continues to be awarded to union bidders who represent state workers. As a result of successful competitive bids, half of all highway maintenance work in Massachusetts remains under the purview of public employees [Sclar 1997, 4] working in union consortia to trim costs and compete effectively against private companies [Palmer, Jr. 1996]. Similarly, a proposal to save $25 million by privatizing Massachusetts Bay Transportation Authority bus routes from Boston to the South Shore was countered by a list of union proposals to save $30 million without privatization or competitive bids [Jordan 1997].

10 The "Section 200" report was filed with the House Committee on Government Regulations in late December 1997. The report will be reviewed during the Winter legislative session.

11 SPRA [1997, ES-4] concludes that "in the absence of federal legislation providing additional funding for universal services (e.g., through state workforce development block grants), most states and local sites have been able to offer only limited staffed or guided One-Stop services to the general public beyond the services traditionally provided by the ES and UI programs)."

12 For example, computerized and Internet job listings record a "hit" each time it is accessed by individual. Each hit counts as a person served by the center. Thus, a vendor recording large of numbers of computerized hits (presumably from a more highly educated and computer literate clientele) can boast a misleading persons-served-to-employee productivity ratio than a center that spends more time on Tier 2 and Tier 3 services for less educated and non-computer literate clients.

13 David Osborne, the author of *Reinventing Government*, chairs the Massachusetts Job Council's Career Center Committee. In Fiscal Year 1997, the MJC voted to "stay the course" with the competitive model of one-stop career centers, despite serious concerns voiced by the Massachusetts legislature [MJC 1997d]. Thus, the MJC's vote to relax the competitiveness requirement beginning in Fiscal Year 1998 marks a significant departure and perhaps a reversal of the previous policy regarding the administration of one-stop career centers.

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